

Message Text

LIMITED OFFICIAL USE

PAGE 01 WARSAW 05261 031630Z

43

ACTION COME-00

INFO OCT-01 EUR-25 ISO-00 EB-11 CIAE-00 INR-11 NSAE-00

RSC-01 L-03 DRC-01 AGR-20 TRSE-00 /073 W

----- 009174

P 031530Z SEP 74

FM AMEMBASSY WARSAW

TO SECSTATE WASHDC PRIORITY 941

LIMITED OFFICIAL USE WARSAW 5261

E.O. 11652: N/A

TAGS: BEXP, ETRD, PFOR, PL

SUBJECT: FOURTH SESSION, U.S.-POLISH TRADE COMMISSION:
BUSINESS FACILITIES

REF WARSAW 4877

1. EMBASSY LETTER TO U.S. FIRMS WITH ACCREDITED OFFICES IN POLAND ON BUSINESS FACILITIES HAS BEEN ANSWERED BY ALL COMPANIES EXCEPT DOW AND PULLMAN. LETTER INQUIRED ABOUT CRITERIA FOR ACCREDITATION; OFFICE AND HOUSING FACILITIES; EMPLOYMENT PROBLEMS; TAXATION; LOCAL COSTS; VISAS; EXIT FEES; AND AIRPORT CONTROLS. ANALYSIS OF REPLIES SHOWS THAT THE MAJOR PROBLEM IS THE HIGH COST OF RENT FOR BOTH HOUSING AND OFFICE, A PROBLEM WHICH IS CONNECTED TO THE UNREASONABLE EXCHANGE RATE. LESSER PROBLEMS, IN PRIORITY ORDER, INCLUDE THE DURATION AND TERMS OF THE LICENSE; EXIT FEES FOR LOCAL EMPLOYEES; USE OF LOCALLY-GENERATED ZLOTYS; AND EMPLOYMENT OF POLISH NATIONALS.

2. RENT. THIS PROBLEM WAS COVERED IN REFTEL. EVERY FIRM RESPONDING CONSIDERED RENT TOO HIGH, AND THREE COMPANIES USED WORD "EXORBITANT." FIRST NATIONAL BANK OF CHICAGO (FNBC) STATED IT WOULD BE PAYING MORE PER SQUARE METER IN WARSAW THAN IT PAYS IN ANY OTHER LOCATION AROUND THE WORLD, BOTH FOR HOUSING AND FOR OFFICE SPACE. MONSANTO AND CDC ATTRIBUTED THE COST OF SPACE TO THE EXCHANGE RATE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 WARSAW 05261 031630Z

OF 19.92 ZLOTYS TO THE DOLLAR.

3. LICENSE. FIRMS RENEWING THE LICENSE IN 1974 WERE CHARGED 5000 ZLOTYS FOR THE LICENSE PLUS 200 ZLOTYS IN ADMINISTRATIVE FEES. THE NEW LICENSES, ISSUED IN MID-JUNE, ARE VALID JANUARY 1-DECEMBER 31, 1974. THREE COMPANIES OBTAINING THEIR INITIAL LICENSE IN 1974 PAID DIFFERENT FEES: FNBC PAID 55,200; INTERNATIONAL HARVESTER PAID 20,200; AND MONSANTO PAID 10,200. HARVESTER'S LICENSE DESCRIBES THE OFFICE AS "TECHNICAL" WHILE MONSANTO'S REFERS TO A "BRANCH OFFICE," ALTHOUGH MONSANTO'S WARSAW OFFICE DOES NOT HAVE COMMERCIAL RIGHTS. FNBS, OF COURSE, IS UNIQUE, SINCE ITS REPRESENTATIVE OFFICE IS LICENSED BY THE MINISTRY OF FINANCE. ALL LICENSES STATE THAT THE OFFICE IN POLAND WILL BE FINANCED FROM AN ACCOUNT MAINTAINED AT BANK HANDLOWY IN CONVERTIBLE CURRENCY. THIS PROVISION APPEARS TO VIOLATE THE TERMS OF THE MARCH, 1973, AGREEMENTS, WHICH STATE THAT THE HARD-CURRENCY ACCOUNT IN THE BANK HANDLOWY MUST BE USED TO COVER "LOCAL RENTS AND BUSINESS-LICENSE FEES," BUT WHICH PROVIDES FOR THE POSSIBILITY OF COVERING OTHER COSTS FROM LOCALLY-GENERATED ZLOTYS (SEE BELOW).

4. LOCALLY-GENERATED ZLOTYS. HEWLETT-PACKARD HAS APPLIED TO THE MINISTRY OF FINANCE AND TO THE MFT FOR PERMISSION TO GENERATE ZLOTYS THROUGH SALE OF GOODS AND SERVICES IN POLAND. THE ZLOTYS WOULD BE USED TO COVER LOCAL COSTS (SALARIES, EXPENSES, TRAVEL) IN ACCORDANCE WITH MARCH AGREEMENTS. H-P EXPECTS A REPLY TO ITS REQUEST IN MID-SEPTEMBER. SINGER REQUESTED AUTHORIZATION TO SELL DEMONSTRATION EQUIPMENT TO A POLISH END-USER (NOT AN FTO) FOR ZLOTYS; THE REQUEST WAS REJECTED BY THE MFT. IBM EXPECTS TO APPLY FOR PERMISSION TO SELL FOR ZLOTYS SHORTLY. OTHER FIRMS HAVE EXPRESSED INTEREST IN REQUESTING PERMISSION TO GENERATE ZLOTYS IF THESE FUNDS COULD BE USED TO COVER RENT.

5. EXIT FEES. THE EXIT FEE, WHICH NOW STANDS AT 2000 ZLOTYS (\$100) IS CONSIDERED BURDENSOME BY ALL FIRMS WHOSE POLISH EMPLOYEES TRAVEL FREQUENTLY OUTSIDE POLAND.

6. EMPLOYMENT. IBM STATED TWO POTENTIAL EMPLOYEES, BOTH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 WARSAW 05261 031630Z

APPLICANTS FOR A SECRETARIAL POSITION ANB BOTH WORKING AT POLISH FTO'S, WERE REJECTED BY THE MFT. INTERNATIONAL HARVESTER'S RECEIVED AN "INFORMAL REJECTION" FROM THE MFT FOR ITS PREFERRED CHOICE FOR A POLISH OFFICE MANAGER, MICHAL KEH. (HARVESTER BELIEVES KEH, WHO WORKS FOR URSUS TRACTOR COMBINE, IS HEAVILY INVOLVED IN MASSEY-FERGUSON DEAL.) HEWLETT-PACKARD AND MONSANTO BOTH EXPERIENCED LONG DELAYS (UP TO SIX MONTHS) IN OBTAINING APPROVAL FOR SOME OF

THEIR EMPLOYEES; EMBASSY REPRESENTATIONS ON BEHALF OF MONSANTO MAY HAVE HELPED TO FORESTALL REJECTION.

7. NO SERIOUS PROBLEMS WERE FOUND IN AREAS OF TAXATION AND AIRPORT CONTROLS.

8. INFORMATION SUPPLIED BY HEWLETT-PACKARD, INTERNATIONAL HARVESTER, AND CDC MAY BE ATTRIBUTED TO THOSE FIRMS. INFORMATION FROM OTHER COMPANIES IS NOT FOR ATTRIBUTION.

9. PULLMAN OFFICE WAS INCORRECTLY IDENTIFIED IN REFTEL AS "TECHNICAL." IT IS IN FACT A COMMERCIAL OFFICE.

10. PROGRESS HAS BEEN DISAPPOINTINGLY SLOW SINCE MARCH, 1973, IN THE INTERCONNECTED AREAS OF RENTS, EXCHANGE RATES, AND USE OF LOCALLY-GENERATED ZLOTYS. MOVEMENT IN THESE AREAS WOULD REDUCE THE COST OF DOING BUSINESS IN POLAND AND WOULD ENCOURAGE MORE U.S. FIRMS TO OPEN OFFICE HERE. IN EMBASSY'S VIEW, THESE ARE THE KEY ISSUES FOR THE FOURTH SESSION IN BUSINESS FACILITIES.
DAVIS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, TRADE PROMOTION, MEETINGS, INTERGOVERNMENTAL COOPERATION, BUSINESS FIRMS, VISA REGULATIONS, CUSTOMS CLEARANCES, TAX RELIEF
Control Number: n/a
Copy: SINGLE
Draft Date: 03 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974WARSAW05261
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740243-0731
From: WARSAW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740978/aaaacnwl.tel
Line Count: 136
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: WARSAW 4877
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAY 2002 by martinml>; APPROVED <27 FEB 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOURTH SESSION, U.S.-POLISH TRADE COMMISSION: BUSINESS FACILITIES
TAGS: BEXP, ETRD, PFOR, PL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005